



Legislative Fiscal Bureau

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April 28, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revised Transportation Fund Condition Statement

In order for the Joint Committee on Finance to have current information on the status of transportation fund revenues and expenditures before the Committee begins to take executive action on the major parts of the Department of Transportation's budget, this office has prepared the attached paper on the transportation fund condition. As shown, the estimated balance at the end of the biennium, based on reestimated revenues and the Committee's actions to date, is \$7.6 million. This is \$24.7 million less than was estimated by the administration at the time the Governor's budget was introduced.

BL/FA/sas

Attachment

cc: Members, Wisconsin Legislature



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Joint Committee on Finance

Paper #750

Transportation Fund Condition Statement (DOT -- Transportation Finance)

[LFB 2009-11 Budget Summary: Page 596, #1]

At the time the Legislative Fiscal Bureau's "Summary of Governor's Budget Recommendations" was prepared, the estimated, biennium-opening balance in the transportation fund was \$0 and the estimated closing balance was \$32,324,800. Since that time, the Department of Transportation (DOT) has reestimated revenues and this office has reviewed those reestimates. The modified revenue estimates, as well as modifications to fund appropriations and revenues based on the Committee's earlier actions, are reflected in the following revised fund condition statement.

	<u>2009-10</u>	<u>2010-11</u>
Unappropriated Balance, July 1	\$0	-\$8,947,700
Revenues		
Motor Fuel Tax	\$958,251,900	\$960,235,900
Oil Company Profits Tax	103,684,300	156,406,300
Vehicle Registration Fees	652,079,000	657,312,400
Less Revenue Bond Debt Service	-178,274,300	-194,070,100
Driver's License Fees	44,756,100	45,031,100
Miscellaneous Motor Vehicle Fees	27,419,700	27,659,100
Aeronautical Fees and Taxes	9,846,900	10,208,800
Railroad Property Taxes	21,527,300	22,779,500
Investment Earnings	666,300	3,457,100
Miscellaneous Departmental Revenues	<u>20,001,800</u>	<u>20,158,400</u>
Total Annual Revenues	\$1,659,959,000	\$1,709,178,500
Total Available	\$1,659,959,000	\$1,700,230,800
Appropriations, Transfers, and Reserves		
DOT Appropriations	\$1,569,387,000	\$1,589,017,100
Other Agency Appropriations	56,601,200	56,608,100
Transfer to General Fund	38,761,200	38,923,200
Less Estimated Lapses	-1,000,000	-1,000,000
Compensation and Other Reserves	<u>5,157,300</u>	<u>9,089,200</u>
Net Appropriations and Reserves	\$1,668,906,700	\$1,692,637,600
Unappropriated Balance, June 30	-\$8,947,700	\$7,593,200

Opening Balance

At the time of the passage of the 2008-09 budget adjustment act (2007 Act 226), the 2008-09 closing balance in the transportation fund was estimated at \$515,200. Since that time, revenue collections have declined relative to estimates, which would result in a projected, biennium-ending deficit of \$8.9 million. The Department indicates that its operating divisions have been given targets for appropriation lapses that, in combination with projected debt service savings, would be sufficient to eliminate this deficit and begin the 2009-11 biennium with a projected balance of \$0. However, if tax and fee collections decline further in the remaining months of 2008-09, it may be difficult for the Department to achieve this goal.

Motor Vehicle Fuel Tax

Compared to the amounts in the bill, motor vehicle fuel tax revenues are estimated to be \$21.0 million lower in 2009-10 and \$6.8 million higher in 2010-11. The lower estimates in 2009-10 are due to lower fuel consumption projections resulting from lower forecasted improvement in Wisconsin disposable income and a decline in the Industrial Production Index, which is a key forecasting variable for diesel fuel consumption, compared to the earlier estimates. In 2010-11, the changes in consumption compared to earlier estimates reflect some recovery in these indices. For the three-year period from 2008-09 through 2010-11, fuel consumption is estimated to be 61 million gallons lower than earlier estimates. The following table indicates the currently projected consumption of motor fuel compared with DOT's original estimates.

Taxable Gallons of Motor Fuel (Gallons in Millions)

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>	<u>Percent Change</u>	<u>Year-to-Year Rate of Change</u>
2008-09	3,197.4	3,182.3	-15.1	-0.5%	
2009-10	3,170.4	3,102.2	-68.2	-2.2	-2.5%
2010-11	<u>3,086.3</u>	<u>3,108.6</u>	<u>22.3</u>	0.7	0.2
Total	9,454.1	9,393.1	-61.0	-0.6%	

Oil Company Profits Tax

Oil company profits tax revenues are estimated to be higher for 2009-10 than the amounts originally included in the bill by \$3.4 million. The higher revenues reflect an errata to the budget bill submitted by the Department of Administration on March 30, 2009, that clarifies that the oil profits tax would first apply to gross receipts received on or after September 1, 2009. The estimated oil profits tax revenues in the bill reflected only nine months of revenues for 2009-10.

Under the errata, 10 months of revenues would be generated in 2009-10. Absent this change, lower fuel consumption estimates for 2009-10 would result in a \$2.6 million reduction in tax revenues for that year. Estimated revenues from the oil company profits tax would be lower in 2010-11 than the amount included in the bill by \$15.1 million. The reduction is due to lower projected fuel prices compared to the earlier estimates. The net result of these changes is that total projected revenues from the oil profits tax are \$11.7 million lower for the biennium.

Vehicle Registration-Related Revenue

Gross vehicle registration revenues are projected to be lower than earlier estimates by \$4.6 million in 2009-10 and \$5.4 million in 2010-11. Of this reduction, just under one-half is due to a reduction in registrations for heavy trucks compared to the earlier forecast, reflecting a lower assessment of industrial production during the biennium. The rest of the reduction is due to a decrease from the prior forecast in the number of autos and light trucks registered.

Although the registration revenue estimate has been revised in relation to the previous estimate, in comparison to 2008-09, the total number of vehicles registered in each of the three major categories (automobiles, light trucks, and heavy trucks) are projected to increase slightly in both years, relative to the previous year. The following tables compare the new estimates of the number of registered vehicles (autos and light trucks in the first and heavy trucks in the second) with the original estimates under the bill.

Registered Automobiles and Light Trucks (Vehicles in Millions)

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>	<u>Percent Change</u>	<u>Year-to-Year Rate of Change</u>
2008-09	4.495	4.475	-0.020	-0.4%	
2009-10	4.559	4.530	-0.029	-0.6	1.2%
2010-11	4.633	4.598	-0.035	-0.8	1.5

Registered Heavy Trucks (Vehicles in Millions)

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>	<u>Percent Change</u>	<u>Year-to-Year Rate of Change</u>
2008-09	0.244	0.241	-0.003	-1.2%	
2009-10	0.252	0.247	-0.005	-2.0	2.5%
2010-11	0.261	0.255	-0.006	-2.3	3.2

Revenue Bond Debt Service

Revenue bond debt service, which is paid from vehicle registration revenues prior to those revenues being deposited in the transportation fund, is projected to be lower than previously assumed by \$0.6 million in 2009-10 and \$10.7 million in 2010-11, because of revised issuance assumptions. Although less than earlier estimates, total revenue bond debt service would increase by \$6.5 million in 2009-10 and \$22.3 million in 2010-11, relative to 2008-09.

Investment Earnings

Relative to earlier estimates, investment earnings attributable to transportation fund cash balances are projected to be lower by \$2.4 million in 2009-10 and \$5.1 million in 2010-11, due to lower forecasted interested rates.

Ad Valorem Railroad and Airline Taxes

Revenue generated from the statewide ad valorem tax on railroad property is projected to be higher than earlier estimates by \$1.6 million in 2009-10 and \$2.5 million in 2010-11, while the ad valorem tax on airline property is projected to be lower than earlier estimates by \$0.3 million in 2009-10 and \$0.1 million in 2010-11. Since the earlier estimates, data on the actual 2008 assessments has become available, resulting a revision of projections for the next three years. While property assessments are assumed to remain stable at the 2008 level, statewide net tax rates are expected to increase, due largely to a decrease in values for property subject to the property tax.

Other Revenues

Earlier action by the Committee has resulted in a reduction in miscellaneous departmental revenue, relative to the bill estimates, of \$1.9 million annually. The Committee deleted items in the bill that would have generated revenue from fees or charges levied by the State Patrol.

Fund Appropriations

Earlier action by the Committee has resulted in a net decrease in fund appropriations of \$3.7 million annually. The Committee eliminated an appropriation in the bill of \$4.0 million annually for a proposed driver education grant program and restored funding reductions of \$0.3 million annually for the aeronautics assistance program.

Summary

The biennium-ending balance is currently projected to be \$7,593,200, which is less than the estimated balance at the time of introduction by \$24,731,600. The reasons for this decrease are estimated reductions in the collections from the motor fuel tax, oil company profits tax, and vehicle registration fees, and lower transportation fund investment earnings. These revenue

reductions are partially offset by the net effect of the Committee's earlier action and reductions in estimated revenue bond debt service.

Under the revised estimates, the bill would generate an estimated \$105.2 million in 2009-10 and \$159.6 million in 2010-11 from tax and fee changes (over 98% attributable to the oil company profits tax). Without these tax and fee changes, net transportation fund revenues would fall by 1.1% in 2009-10, relative to 2008-09, and by 0.3% in 2010-11, relative to 2009-10, due primarily to falling motor fuel tax collections and increasing revenue bond debt service. The following table shows estimated transportation fund revenue for 2008-09 and for the 2009-11 biennium, with and without the proposed tax and fee changes.

Revised Net Transportation Fund Revenue Estimates

<u>Fiscal Year</u>	<u>Estimated Revenues Without Tax and Fee Increases</u>		<u>Estimated Revenues Under the Bill</u>	
	<u>Amount</u>	<u>Percent Change</u>	<u>Amount</u>	<u>Percent Change</u>
2008-09	\$1,571,689,900		\$1,571,689,900	
2009-10	1,554,720,600	-1.1%	1,659,959,000	5.6%
2010-11	1,549,628,400	-0.3	1,709,178,500	3.0

Prepared by: Jon Dyck and Al Runde